

#### REMARKS

The claims have been amended to more clearly define the invention as disclosed in the written description. In particular, claims 66 and 67 have been cancelled, while claims 42, 43, 55 and 56 have been amended for clarity.

The Examiner has rejected claims 42-67 under 35 U.S.C. 101 as being directed to non-statutory subject matter. The Examiner has found claims 42-65 allowable over the prior art of record.

With regard to claims 42 and 43, Applicants have amended theses claims to indicate that after the combining step, the method outputs the composite signal which constitutes the encoded n-channel digital audio signal. Applicants do not see the need for transmitting the outputted signal across a transmission medium to a corresponding decoding system in order for the claim to produce a "...useful, concrete, and tangible result..." Similarly, claims 55 and 56 have been amended to indicate that after the reconverting step, the n channel signals are output as constituting said n-channel digital audio signal (claim 55); and the M signal portions are output as constituting said n-channel digital audio signal.

In view of the above, Applicants believe that claims 42-65 are indeed statutory and should be allowed.

Applicants believe that this application, containing claims 42-65, is now in condition for allowance and such action is respectfully requested.

Respectfully submitted,

by           /Edward W. Goodman/            
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